



Memorandum

**TO: HONORABLE MAYOR AND
CITY COUNCIL**

FROM: Del D. Borgsdorf

**SUBJECT: GETTING FAMILIES BACK
TO WORK—FOLLOW-UP**

DATE: October 28, 2003

RECOMMENDATION

- (a) Approve the following recommendations for items discussed in Section B of this report:
1. Accept staff's proposal on criteria factors and proposed methods for refunding fees when deadlines are missed;
 2. Implement tax relief to encourage investment in San Jose as outlined in staff's report on the Special Tenant Improvement Program, and approved by Council on October 28, 2003 (see Council Agenda, Item 4.5), and direct staff to return by December 16, 2003 with an assessment of the fiscal impact of a 50% reduction in the Construction Excise Tax for Driving Industries;
 3. Report to Council in 90 days with recommendations to revise the City Employee Suggestion Award Program to one that focuses on both revenue generating and cost saving ideas, including a fiscal impact analysis; and,
 4. Integrate City and redevelopment functions into a "One Voice" structure, including changes in reporting relationships.
- (b) Approve the following recommendations for items discussed in Section C of this report:
1. Present to Council for consideration Design Guidelines for the Downtown Core on November 18, 2003;
 2. Accept staff's list of identified current regulations that may hinder business development or operations and report on progress in March 2004;
 3. Direct the use of multiple-prime contractors as the project delivery method to be used on those projects where it is the most efficient and effective method of delivering a project on time and on budget.

BACKGROUND

On September 30, 2003, the City Council approved various recommendations in a memo authored by the Mayor and Councilmembers Cortese, Chavez, Gregory and Yeager. In that memo, Council provided direction under three sections: (a) items approved on September 16, 2003, (b) items referred to the City Manager for additional analysis and/or modifications, and (c) items not approved with direction for alternative action. Staff was directed to return on November 4, 2003 with comment on the following:

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Section B

1. ***Refund fees when deadlines are missed***—City Manager directed to eliminate 100% of the delays in turnaround times; refunds approved for the accelerated service program when performance targets are not met; and, fully defined criteria and timelines necessary in order to implement this recommendation along with a thorough fiscal impact analysis in the context of the City's cost recovery guidelines.
2. ***Implement tax relief to encourage investment in San Jose***— City Manager directed to provide a list of the City's "driving industries", a thorough fiscal impact analysis, and a measurement for job creations as a Council action item and provide detail in terms of the budget implications of this item and its real affect on those services or projects impacted by this action.
3. ***Overhaul the City Employee Suggestion Award Program***— City Manager directed to begin discussions with the applicable bargaining units along with analysis of any actual fiscal impact as a Council action item.
4. ***Speak with "One Voice" on economic development***— City Manager directed to provide organizational, legal and employee ramifications which should be considered as part of the range of options and the fully defined criteria and timelines necessary in order to implement this recommendation along with a thorough fiscal impact analysis in the context of the City's cost recovery guidelines.

Section C

1. ***Develop Design Guidelines for the Downtown Core***—City Manager directed to provide report for discussion or action on the development of Design Guidelines for the Downtown Core with the incorporation of the FAR, to set clear expectations for building density and increase business development.
2. ***Identify current regulations that may hinder business development or operations***—City Manager directed to provide a report for discussion or action on current regulations that may hinder business development or operations in San Jose.
3. ***Draft a policy for prime contractors, consultants or vendors to use local businesses where legally permissible***—City Attorney directed to draft a policy for discussion or action.
4. ***Investigate the use of multiple-prime contracting and develop pre-qualification policy***— City Attorney and City Manager directed to investigate the use of multiple-prime contracting and City Attorney directed to draft a pre-qualification policy.

ANALYSIS

This section of the report responds to the above directives, in the order listed.

Section B (Items referred to the City Manager for additional analysis and/or modifications.)

1. ***Refund fees when deadlines are missed—***

Process timelines are provided to development customers to assist them with project planning and to provide staff with guidelines for completing the review process in a timely manner. Two factors should be considered for refunding fees when project timelines are not met, which are:

Cost Recovery Policy— Because development services, by Council policy, are provided on a full cost recovery basis, refunding of fees must be targeted carefully to certain work activities.

Non-subsidization— If some development customers receive service at no cost because of a missed deadline, it should not result in subsidization of one rate-payer by another.

In cases where customers pay a premium for faster than normal service, it is logical that the increment of the fee that pays for the premium service level be refunded if the faster turn-around time is not achieved. Refunding this increment does not impact the revenue stream that supports staffing for the base service level and leaves the applicant with the same cost as the applicants who paid for the base service level. Following Council direction, staff has already implemented this policy.

A refund policy for missed deadlines on projects that do not include a higher fee for a premium service level would necessarily have refund criteria that are more detailed and complex. Refund criteria factors should include:

- **Clear Timelines—**A project timeline would be established for each project.
- **Customer Contact—** The state mandated 30-day letter giving applicants notification that a customer's application has been received and whether or not it is complete would be revised. It would include: (1) a confirmation of application receipt and completeness and (2) a project timeline for the entitlement process if there were no preliminary review meeting.
- **City Responsibility—** Timelines would be defined and measured for the segments of the process that are the City's responsibility. Where current project timelines are based on the period between application and hearing or between submission and plan check approval, the new timelines would track only the phases of the project where the City has responsibility for moving the process forward.

Consolidated Review Cycle-Time— Fee refunds would be offered when staff exceeds the cumulative total of timeline segments. For a complex project with a first review cycle target of 45 days, and second and third review cycle targets of 20 plus 20 days, there would be no refund unless the City's "on-the-clock" time exceeded the total of 95 days. In other words, if the initial review cycle took 48 days, staff could make up the time in subsequent review cycles to avoid paying a refund. With this approach, the applicant still gets through the process within the targeted time period and the staff avoids having a counterproductive incentive to set aside projects that didn't make the first review cycle target in favor of working on other projects for which fee refunds can still be avoided.

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Most importantly, City staff would work to keep projects on schedule. In an effort to eliminate common process issues, the City's development partners will be implementing, at the end of the second review cycle, a mandatory project team meeting with the applicant to resolve any outstanding issues. In addition, a conflict resolution process will be implemented to provide a mechanism for customers and staff to elevate issues to the management level for earlier decisions.

2. *Implement tax relief to encourage investment in San Jose—*

Extension and expansion of the Special Tenant Improvement Program will be presented to Council for action on October 28, 2003. The recommendation includes action to: (1) extend the period during which the City suspends the collection of Building and Structure Construction Taxes imposed for construction of special industrial use tenant improvements; (2) suspend the collection of Building and Structure Construction Taxes imposed for the construction of office use tenant improvements in the Downtown Core; (3) extend the Coordinated Plan Check Review process for plan check fee collection deferral until permit issuance for tenant improvements for industrial and research and development uses in currently existing vacant buildings; and (4) expand the Coordinated Plan Check Review process allowing for plan check fee collection deferral until permit issuance for tenant improvements for office uses in currently existing vacant buildings within the Downtown Core.

In addition to the above information, Council directed staff to provide a list of Driving Industries. Driving Industries are industries that sell the majority of their products/services outside of the region, and represent specializations for San Jose/Silicon Valley relative to other metropolitan regions. Driving Industries are the engines that drive our regional economy and the health of Business Support and People-Serving Industries. Following is a list of Driving Industries:

- Computer and Communications;
- Semiconductors/Semiconductor Equipment;
- Electronic Components;
- Software Biomedical; and,
- Innovation/Research and Development Services.

The Office of Economic Development and City Manager's Budget Office are in the process of conducting an assessment of the fiscal impact of a 50% reduction in the Construction Excise Tax for Driving Industries. Staff recommends that this information be provided as part of the December 16, 2003 staff report on additional directives. Staff is mindful that Council directed that this information be provided by November 4, 2003, but needs more time to conduct a thorough fiscal analysis to present to Council.

3. *Overhaul the City Employee Suggestion Award Program—*

The City Manager's Office will work with the Suggestion Award Commission and the City Labor Alliance to explore ways to streamline the current process and expand the scope of eligible suggestions to include revenue increases resulting from suggestions, process improvements that accelerate permitting to enable businesses to open sooner, or identification of opportunities that create new revenue

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or relocated jobs. The current Employee Suggestion Program has an annual budget of \$25,000, and is subject to additional appropriations depending on the number of awards. Based on the structure of the program, any revisions would not have a budgetary impact in that any awards would be funded through the generation of savings or revenue.

Council's direction was to begin discussion with the City Labor Alliance on improving the Program. On October 22, 2003, staff began discussion with the City Labor Alliance on improving the Employee Suggestion Program. The City Labor Alliance has agreed to work with the City Manager's Office on revising the current program. The City Labor Alliance has expressed its interest in maintaining the current responsibility for the Suggestion Award Program in the City Manager's Office. Staff will continue to work with the City Labor Alliance as recommendations for program changes are developed. Recommendations to the City Council on program changes will be made within 90 days, and will include a fiscal impact analysis.

4. *Speak with "One Voice"*

Goal and Criteria—The goal of this effort will be to focus City Service Areas, City departments, and Redevelopment Agency into clusters of resources and work groups with a common purpose. The two clusters, one focused on economic development and the other on neighborhood services, would produce an organization that is poised to provide seamless communication and operations that results in project delivery.

To move closer to "One Voice" service delivery, the following criteria will be used to evaluate organizational restructuring:

- **Practicality**—Make changes that can be made relatively easily, with few or no legal or process impediments.
- **Efficiency**—Focus on merging and clustering like functions, and eliminating duplicative ones. Position the organization to operate in a seamless manner with shorter response times.

Cost—Favor changes that will produce readily achievable cost savings. Additional costs should only be incurred if they position the organization to respond better to economic development and/or neighborhood services. Pay careful attention to both the City and Redevelopment Agency's fiscal condition. Examine how to merge functions with different funding sources, mechanisms and/or models. More detailed information will be provided as part of the FY 2004-2005 Proposed Budget.

Public Impact—Look at all services from the perspective of the user/customer, and make changes that will improve (or maintain, if spending reductions are necessary) service delivery and enable project delivery. Focus on what provides the highest impact and on establishing realistic expectations based on current fiscal realities.

Framework—The City Service Area structure provides a framework for how to integrate services. City Service Areas provide a forum for strategic planning, for setting policies and for making investment decisions. The proposed models for achieving "One Voice" entails changes to the current reporting relationships for the Redevelopment Agency, City departments and the City Service Area structure.

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The models would create a greater organizational emphasis on economic development and neighborhood services, but would maintain the basic structure currently in place. Changes to reporting relationships and organizational structure will be guided by the lessons learned from the successful San Jose State University Library—City Library merger. This is a recent and extremely successful example of two independent public agencies working collaboratively to consolidate resources, increase economies of scale, and improve service delivery. Below are two models for achieving “One Voice” for economic development and neighborhood services.

Economic Development: The vision for creating “one voice” for economic development is grounded in the notion that to be successful in competing globally the City needs a focal point for the initiation and coordination of projects of consequence. This focal point would ensure that the business and development community knows where to “go to” for answers and that all of the City actors are on the “same page” and “connecting the dots”. It will also be the place that ensures that the strategic priorities of the Mayor and Council embodied in the General Plan, Economic Strategy and the City Service Area Business Plans are implemented and that accountability for project delivery occurs.

What does “one voice” mean for economic development?

- Consistent and ongoing communication with the Mayor and Council Offices, the business and development community and other key stakeholders;
 - Policy implementation grounded in the General Plan and the Economic Development Strategy;
 - A sense of urgency and entrepreneurial focus about getting deals done, making development happen;
 - Personal responsibility by the City Manager’s Office and departmental leadership for projects; Recognition that a concern for process must be balanced in the end by facilitating quality projects;
 - Full accountability for results; and
- Acknowledgement and celebration of successes.

In Graphic 1, the economic development functions within the current Economic & Neighborhood Development (END) City Service Area would be grouped together. As a start, the City Manager would designate the Office of Economic Development as the “front door” for business development services, with the physical “front door” becoming the One Start Center (see Additional Tasks section for status report). This new integrated organization would require additional restructuring and shifts to reporting relationships. Redevelopment functions would be integrated into this new work cluster (i.e., redevelopment planning and permitting responsibilities would be merged with City planning and permitting).

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Graphic 1. Proposed “One Voice” for Economic Development



Neighborhood Services: Likewise, the same framework would be adopted for neighborhood services in that this effort would put in place a system for improved accountability and a clear understanding of roles and responsibilities throughout the organization. The end result of this effort would be the merging of City and Redevelopment Agency Strong Neighborhoods Initiative resources and changes to the current reporting relationships. Neighborhood redevelopment functions would be clustered with citywide neighborhood functions, and would be administered under the same “One Voice” structure. In addition, the designated Deputy City Manager would work with the CIP Action Team to ensure neighborhood project implementation. Last, this proposed model would result in merged marketing and outreach services for neighborhoods and improve how residents get information.

What does “one voice” mean for neighborhood services?

Consistent and ongoing communication with the Mayor and Council Offices on neighborhood issues and projects;

- Policy implementation grounded in the Strong Neighborhoods Initiative Priorities, Greenprint, General Plan and other guiding documents;

A sense of urgency for responding to neighborhood needs;

- One source for marketing and outreach services;

Personal responsibility by the City Manager’s Office and departmental leadership for project delivery in neighborhoods;

Recognition that our neighborhood needs must be balanced into quality projects;

Full accountability for results; and,

- Acknowledgement and celebration of successes.

In Graphic 2, the portions of the Economic and Neighborhood Development City Service Area focused on neighborhood services would be grouped with portions of the Recreation & Cultural Services City

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Service Area, thereby creating “One Voice” for neighborhood services. In addition, the structure would integrate City and Redevelopment Agency Strong Neighborhoods Initiative resources, and place accountability in one location.

Graphic 2. Proposed “One Voice” for Neighborhood Services



Over the next months, and as part of the FY 2004-2005 budget development process, the impacted City Service Areas, City departments, and Redevelopment Agency will work through the details for functioning as work clusters that focus on economic development and neighborhood services. An additional goal of this effort is to position the City Council to make a decision on redevelopment functions as part of the FY 2004-2005 budget process. As Council has directed and as discussed later in this report, Strategic Support Services will become one City Service Area, with redevelopment strategic support services merged with the City's Strategic Support Services.

Method— While the short-term strategy is outlined above, a statement of work focused on a new organizational model to provide consistent and integrated economic development services is being drafted with the Internet Business Solutions Group (IBSG), US—State and Local Government Practice. The IBSG is a not for fee, consulting practice of Cisco Systems, Inc. It provides consulting resources on an advisory basis to assist local governments in implementing projects that improve productivity, reduce operational costs, and enable organizations to better leverage resources through business process improvement. This effort will vet out the details of merging work functions in the long-term.

Using proven methodologies, the project will provide the City with an overall approach and the tools needed to create new energy around economic development and neighborhood service functions that are better focus on integrated service delivery. Working with the stakeholders, a project management steering committee and an executive management committee, this process will include five stages:

- **Prepare**—A statement of work will be developed that describes what is to be done, what are the deliverables and who is going to do the work. In addition, a scope document will outline the boundaries of the project, providing a description, supporting the statement of work, that limits the project to meeting specific objectives, therefore reinforcing the project's focus.

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Share Knowledge—Vision and Strategies. A vision will be established through one-on-one collaboration (i.e., interviews) and work sessions that include a facilitated session intended to produce group consensus amongst the project steering committee. The deliverable describes our vision of what the project is intended to achieve and at a high level how it will benefit the city. A strategy document will also be an essential project deliverable created for the purpose of describing what methods the city will use to achieve its objectives.

- **Plan**—Defined Objectives. Specific objectives and goals will be defined and used as measures to indicate our success in achieving the project vision.
- **Execute**—Assign Plans, Deliverables, Roles and Responsibilities. Plan(s) are a set of instructions that specify how the overall project is to be accomplished, what is to be produced (the Deliverables), who is to produce them (Roles and Responsibilities) and when they are to be completed.
- **Achieve Results**—Produce Action Plan/Business Cases. Each plan is broken into actionable (achievable in 90 to 120 days) time periods that have quantifiable measures or metrics that can be used to verify success; otherwise called, forecast measurable results. Action plans also specify dependencies that describe what must be accomplished at various times in the plan to allow other participants in the project to be able to complete their work and produce the deliverables for which they are responsible.

While a detailed timeline is still being developed, staff is working under a tentative completion date of March 31, 2004. This tentative completion date allows for the product of this effort to be folded into the FY 2004-2005 Proposed Budget. This effort will be lead by an Executive Management Committee that will be charged with providing high-level leadership and sponsorship for the project. The Executive Management Committee is composed of the following members:

- Mark Danaj, Director, Employee Services, Project Management Lead
Del D. Borgsdorf, City Manager
- Paul Krutko, Director, Office of Economic Development
- Stephen Haase, Director, Planning, Building & Code Enforcement
- Leslye Corsiglia, Director, Housing Department
Susan Shick, Executive Director, Redevelopment Agency

In addition, a Project Management Steering Committee, composed of diverse group of stakeholders, will oversee the specific plans that are developed in support of the project's vision and strategies.

Employee Implications—Employees are the driving force behind achieving “One Voice” service delivery and bringing about an organization that functions for economic development and neighborhood services. While mindful about how change can impact employee morale and productivity, staff will apply a high level of support to employee concerns and interests. Upon Council approval, staff will develop a parallel communications plan that supports this change. Communication plans will be developed for impacted City Service Areas and at a City-wide level. It’s important to note that the task of merging functions to become more efficient is not new. As mentioned, one can consider the recent

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merging of San Jose State University Library and City Library functions as testament that this can be a successful endeavor to improve public services and maximize limited resources.

Organizational Implications—As appropriate City and redevelopment functions transition to operate as “One Voice” for economic development and neighborhood services, there are some predictable changes and others that can not be envisioned at this time. Listed below are some implications to the organization:

Merging Strategic Support services —As a result of both the City and Redevelopment Agency’s fiscal condition and direction to reach “One Voice” service delivery, functions such as budget, finance, permitting, human resources, and other administrative services should be merged. Merging Strategic Support services would assist the City and the Redevelopment Agency to function as one organization and obtain needed efficiencies. Likewise, through this effort, staff will be working to identify similar duplicative functions within City departments, that can be merged to work toward “One Voice” and that are logical in nature. A detailed plan for eliminating and merging duplicative functions will be presented as part of the FY 2004-2005 Proposed Budget.

Assign Non-duplicative Functions—In review of City and redevelopment functions, those that are non-duplicative in nature would be evaluated against leveraging resources with the most logical functions in the organization, if applicable. In evaluating functions and location in the organization, a review and possible adjustments to City Service Area focus/missions would be developed. The IBSG effort will assist the City with a revised structure and assignment of functions. The idea would be to leverage teamwork and resources based on common or logical work functions.

Adjust City Service Areas—As mentioned above, adjustments to City Service Areas will also be recommended. The City Service Area structure has proven to be an effective method for “getting our work done,” but at this juncture additional adjustments to City Service Area structures should be made.

Review Large California Redevelopment Agencies—Through review of other large California redevelopment agencies, it is clear that there are many methods to accomplish redevelopment. The attached matrix provides summary information on redevelopment functions in other cities and how redevelopment services are organized (Attachment A). In discussion with John Shirey, Executive Director of the Community Redevelopment Association, he concurred with the strategy outlined in this report and confirmed that it is consistent with redevelopment structures throughout the State of California.

Legal Implications— On January 30, 1990, the City Council approved, by Council Resolution, an implementation plan for the Redevelopment Agency to separate from the City Administration. This action put in place a formal relationship between the City Administration and an independent Redevelopment Agency. Review of past Council actions regarding redevelopment shows that Council Resolutions have administered changes to the reporting relationship between the City and the Redevelopment Agency. Changes recommended in this report could also be addressed by Council Resolution.

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Financial Impact—Throughout the process of changing the reporting relationships between City departments and redevelopment functions, staff will be providing information on the financial impacts, as they become available in subsequent status reports. However, a complete plan will be presented as part of the FY 2004-2005 Proposed Budget and will include cost savings achieved as a result of merging Strategic Support services, reassigning non-duplicative functions, and general resource information on achieving “One Voice.” Throughout this process, staff will be mindful of merging different funding models together to ensure that shifts in organization do not create imbalances in funding models (i.e., cost recovery model). The goal throughout this process will be to ensure a fee structure that remains cost neutral and has no adverse impacts.

Timeline/Road Map—The following is a draft timeline for the above activities.

Date	Action
November 4	Council accepts report recommendations.
November 5 – December 16	Staff finalizes short-term structure and continues implementation of Council approved items in the “Just Do It” memo and in this report.
December 16	Staff presents Council directed report on additional outstanding Getting Families Back to Work assignments.
March 2004	Status Report on Getting Families Back to Work, “One Voice” and ISBG efforts.
March 31	Tentative completion of ISBG work.
April 30	Release of FY 2004-2005 Proposed Budget. Proposed Budgets will include new organizational structure and use of resources, specifically one Strategic Support Services City Service Area. In addition, the Proposed Budget will integrate the ISBG work and recommendations.
June 22	Council action on FY 2004-2005 Proposed Budget and further direction on new structure.

Section C (Items not approved with direction for alternative action.)***1. Develop Design Guidelines for the Downtown Core—***

Staff is currently consolidating the previously adopted design guidelines for the Downtown into one document. On November 18, 2003, staff will present to Council for consideration a consolidated set of guidelines for Downtown along with the adoption of the Downtown Zoning project.

2. Identify current regulations that may hinder business development or operations—

Significant efforts have already been undertaken to identify business regulations that are onerous to job generators in San Jose. Planning staff has worked closely with the Chamber's Development Committee in response to the Zucker Study and in a broader consideration of regulations that are not helpful to business concerns. Through the Economic Development Strategy developers, businesses and cultural organizations have provided additional testimony. As Council directed, Attachment B identifies a list of regulations/ changes/streamlining efforts that have been identified through the efforts mentioned above. City staff will continue to work with a wide range of entities to continue the effort to change or

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streamline certain City regulations. As additional changes or streamlining efforts are proposed, they will be brought before the Development Cabinet to ensure a coordinated review prior to submittal to City Council.

3. Draft a policy for prime contractors, consultants or vendors to use local businesses where legally permissible—

On November 4, 2003, the City Attorney's Office will bring forward for Council consideration a proposed ordinance for prime contractors, consultants or vendors to use local businesses where legally permissible.

4. Investigate the use of multiple-prime contracting and develop pre-qualification policy—

Staff recommends that the multiple-prime project delivery method be used on those projects where it is the most efficient and effective method of delivering a project on time and on budget. This is typically the case in very large building projects where the savings in time and cost outweigh the risk and responsibility taken on by the owner. This method is being utilized on the new Civic Center and the Airport's North Concourse. In evaluation of the City's capital program, the vast majority of projects are not of sufficient size to merit the multiple-prime project delivery method. However, this also means that much of the work that the City puts out to bid is available and within the capacity of the small, local contracting community.

Currently, the most common form of project delivery utilized by the City is the Design-Bid-Build process. This is a process where all design work and construction documents are completed, the total project cost is estimated from the completed construction documents, advertised for bid, and awarded to one general contractor (which, by law, is the lowest responsive-bidder). The general contractor, in turn, hires and manages sub-contractors that specialize in segments of the entire bid package (such as electrical work or underground pipe installation). By comparison, the multiple-prime method of project delivery can be equated to a design-bid-build process in which the City acts as the general contractor.

On November 4, 2003, the City Attorney will bring forward for Council consideration a pre-qualification policy.

Additional Updates

This section provides updates on Getting Families Back to Work assignments that were not required as part of this report, but that significant progress has been made and is worth sharing.

1. One Start Center—

As mentioned in the discussion of the "One Voice" action plan, the One Start Center is envisioned as the City's physical "front door" for economic development and permitting functions. The One Start Center will include staff from various departments and City offices, working together to ensure that our customers get the answers they need to move forward on projects, and get them quickly and consistently. The service delivery concept is to bring staff and services from the 2nd, 3rd and 4th floors of

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City Hall to the Customer, rather than the customer navigating the 2nd, 3rd, and 4th floors to process their project.

Phase 1 of the proposed plan will reconfigure Room 106 of City Hall into hoteling space for services of the Department of Planning, Building and Code Enforcement, Office of Economic Development services, redevelopment functions, and Workforce Investment Network services. In addition, through the Customer Call Center and department coordination, staff would make available conference rooms to hold team meetings to process Special Tenant Improvement Program services, preliminary review, and other expedited services. Space in Room 106 would also be available for other high priority project meetings for Planning, Building, Fire and Public Works. The Department of General Services will begin work on this effort on November 1, 2003 and costs will be absorbed within the current budget.

2. Special Event Permitting—

An interdepartmental team composed of City departments and the Redevelopment Agency, and led by the Department of Parks, Recreation and Neighborhood Services, has formed to: combine department applications into one form, that would contain additional forms based on the complexity of event; develop a guideline booklet for Special Events/Festivals; and, evaluate e-govt. applications with the goal of offering service on the Internet. Within the past two weeks, a new Special Event/Festival Application template was developed and is being reviewed by user departments. Additional revisions to the process include: creation of a “One Start” through Office of Cultural Affairs as the gatekeeper for events/festivals; creation of a single fee collection point for City fees; designation of a single event coordinator to be assigned by applicable departments to assist in the coordination of the overall event and provide customer services; and, acceptance of past year’s completed form already filed and only update where needed. The team assigned to this task will have additional recommendations as work progresses, but the end goals are as follow:

- One office for applicants to visit.
One phone number for applicants to call.
- One email address for initial in-take of applications or questions.
One website for applicants to visit.
- One application.
Outdoor event venue List, including relevant venue information.
- Pricing sheet for common Event and Festival costs for City services (estimates only).
Permit Process Flow Chart/Description with timelines.
- “Successful Event” Permit Processing Advantages.
- Street Performer information, including the voluntary Good Neighbor Guidelines.
- Grant information for San Jose based non-profit organizations.
- Additional information: tips for first-timers, contact information for SJRA’s discounted equipment rental program, lists of local vendors/event planners, event calendars, etc.

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3. *Engage venture capital community directly—*

Staff has conducted four meetings with members of the venture capital community to understand most important factors for start-up companies locating in San Jose, and the venture community's perceptions of San Jose.

4. *Relax underwriting criteria for the Revolving Loans and Development Enhancement Special Funds—*

The Office of Economic Development and the Loan Advisory Board have been working together to develop a process to reduce interest rates and change collateral requirements in an effort to make loan funds available to higher risk investments.

Initial suggestions include modification of the Development Enhancement Special Funds (DESF) guidelines to provide lower interest rates to established, ground level retail establishments within the Downtown, Strong Neighborhoods Initiative areas and the Neighborhood Business Districts. Issues under evaluation are: loans in the amount of \$25,000 or less will be reviewed by staff and not have to go through credit committee review, saving substantial amounts of time; proposing that interest rates be set at prime less .25%; changes to the Deed of Trust requirement as collateral, to liens against business assets as acceptable collateral; and, extending loan terms from two to five years to two to seven years.

In addition, currently the Revolving Loan Fund requires a leveraging of \$2 to every \$1 the Fund lends. Staff is evaluating whether this leverage requirement should be suspended. In addition, as discussed above, changes to collateral requirements are under evaluation (i.e., business assets as collateral in place of a Deed of Trust), and staff is also evaluating whether, in some instances, no collateral may be required. The Revolving Loan Fund will continue its current loan levels of up to \$40,000 for all types of businesses throughout the City of San Jose, but is proposing that interest rates be modified to prime less .25%.

5. *100% high-speed and wireless access service coverage—*

The Office of Economic Development is leading a team to bring free WiFi to outdoors public spaces Downtown. Staff is in discussions with corporate partners to provide pro-bono assistance for a 6 to 12-month demonstration period.

6. *Fast track completion of bio-tech incubator—*

On November 18, 2003, the Redevelopment Agency Board will hear a proposed recommendation related to the lease agreement with Mission West Properties to house the San Jose Bioscience Incubator and Innovation Center.

7. *Maximize City Sales Tax from City and Privately Funded Activity—*

As a pilot to this effort, the Office of Economic Development is working first with representatives of the Airport and New Civic Center to ensure that General Contractors and vendors making large purchases within the City to ensure that the City recoups the full 1% sales tax from City-related work. Currently

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when the City or business make large purchases, the sales tax generated from those purchases often go to a County Pool or a State Pool for sales tax instead of coming directly to the City. This occurs because purchases over \$500,000 are reported in a somewhat different way than less costly purchases. As a result, the larger purchases fall into the State Pool, unless the purchaser (or vendor) notifies the City of the sale. The purchaser/vendor experiences no penalty if their reporting allocates sales tax from large purchases to the State Pool, but allocating the sales tax to the City requires additional steps to complete, and therefore is often not completed. San Jose receives approximately 40% of the County pool, thus we lose 60% of sales tax on large purchases that are allocated to the County pool. The initial pilot work with the Airport and New Civic Center will provide valuable program data to implement a broader practice.

8. Burdensome Insurance Rates for Small Contractors—

The Finance Department has obtained "Builders Risk Insurance" at a lower premium charge for some public building construction to decrease cost to contractors working for the City. They have also created an "Owner Controlled Insurance Program" to allow small businesses to contract for jobs with appropriate insurance coverage. The Finance Department is exploring an "Owner Controlled Insurance Program" for the Airport expansion program to allow small businesses to contract for jobs with appropriate insurance coverage.

FISCAL IMPACT

Fiscal impact issues will be addressed as part of the FY 2004-2005 Proposed Budget. It is understood that implementation of these recommendations should result in cost savings or be cost neutral. Subsequent reports to Council will include more detailed information on cost savings and fiscal impact.

PUBLIC OUTREACH

This report covers multiple issues and, in some instances, a level of public outreach is already underway and mentioned in this report. In other instances, staff is in process of meeting with key stakeholders to solicit input. The intent of this effort is to improve services for the Public, and staff is mindful of appropriate public outreach to achieve responsive service delivery.

COORDINATION

This report has been coordinated with the Redevelopment Agency and City departments.

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CEQA

Not a project.



Del D. Borgsdorf
City Manager

Attachments:

- (A) Comparison of large California cities redevelopment structure**
- (B) Current Regulations that may hinder business development or operations**

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Comparison of Large California Cities Redevelopment Structure

City (Population)	Form of Government	Board	Redevelopment Organization Structure	Executive Director	Budget (FY 2002-2003)	Employee Status (Full-Time Equivalents)
Los Angeles (3,694,800)	Mayor - Council	7 member board appointed by the Mayor and confirmed by the City Council	Separate Agency	Executive Director appointed by City Council	\$ 342,400,000	200 FTEs, civil service
San Diego (1,223,400)	Council - Manager	City Council serves as the Redevelopment Board	Merged with City functions	City Manager serves as Executive Director	\$ 169,000,000	41.5 FTEs, mixed (19 FTEs civil service, 22.5 FTEs non-civil service)
San Francisco (776,700)	Mayor	7 member board appointed by the Mayor and confirmed by the Board of Supervisors	Separate Agency	Executive Director appointed by Commission	\$ 159,000,000	100 FTEs, mixed
Fresno (428,000)	Council - Manager	City Council serves as the Redevelopment Board	Separate Agency	Appointed by the City Council	\$ 20,000,000	18-20 FTEs, mixed
Long Beach (461,500)	Council - Manager	7 member board appointed by the Mayor and confirmed by the City Council	Merged with City functions	Executive Director appointed by City Manager, reports to City Manager	\$ 56,581,581	20.8 FTE's, mixed
Sacramento (407,000)	City (Council-Manager)/County	11 member Commission appointed by either the Sacramento City Council or County Board	Merged with City and County functions*	Executive Director appointed by Commission	\$ 159,000,000 (FY 2001-2002)	310 FTEs, civil service
Oakland (400,000)	Mayor (w/ City Manager)	City Council serves as the Redevelopment Board	Merged with City functions	Mayor serves as Executive Director	\$ 152,800,000 (FYs 2003-2005)	90 FTEs, mixed
Santa Ana (340,000)	Council - Manager	10 member Commission appointed by the City Council	Merged with City functions	Executive Director appointed by City Manager, reports to City Manager	\$ 83,240,965 (FY 2003-2004)	6 FTEs designated as RDA staff, in Agency of 120 FTEs, mixed
Anaheim (330,000)	Council - Manager	7 member board appointed by the City Council	Merged with City functions	Appointed by the City Council	\$ 68,000,000	30 FTEs designated as RDA staff, in Department of 111 FTEs, mixed

* Note: The Sacramento Housing and Redevelopment Agency reports to both the County and City administrative structures. It acts as both the Redevelopment Agency for the City and County and the Housing Authority for the City and County.

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ATTACHMENT B

(Identify Current Regulations that may hinder business development or operations)

Regulations Beneficial to Business – Recommendation to Proceed

- Special Tenant Improvement Program – Extend 18 months High Priority
- Industrial/Commercial Use Clarification – Extends reduction in construction taxes to future driving industries High priority
- North San Jose Area Development Policy – Increase intensity around rail stations
- Citywide LOS Policy – Update to allow smart growth projects to proceed in strategic locations
- Smart Growth – Eliminate maximum density in multi-family residential zone
- Smart Growth – Create more allowances for residential/mixed use development in commercial zones(s)
- Conventional Zoning districts – Modify existing zoning districts and create new districts as necessary to create greater flexibility and to be more “user friendly”
- PD Zoning – Adopt and apply conventional zoning districts in certain areas of the City to facilitate development and reduce reliance on PD Zoning
- City Council Public Outreach Policy – Proceed with this community –based update, involving the development industry as well
- Transit-Oriented Development Design Guidelines – Proceed with these Guidelines to increase predictability and certainty in the entitlement process
- Historic Permits – Eliminate requirement for public hearing for minor changes
- Permit Major Adjustment – Allow minor changes administratively, such as increase to square footage
- Standby Generators – Simplify for only BAAQMD regulations to apply
- Noise Standards – Align requirements to be consistent with the General Plan
- Retaining Walls – Deregulate walls not visible in single-family yards and that do not raise technical grading issues
- Lot Line Adjustments – Delegate approval authority to DPW staff
- Wireless Antennas – Allow slim design (slick stick) administratively
- Conservation Area Guidelines – Approve staff recommendation
- Tree Removal Permit – Allow administrative approval in certain circumstances
- Suspend requirement for Auto Body Shop Permits for an additional 12 months
- Gas Station/Mini Marts (Authorized by Council to proceed on September 16th)

Detrimental to Business – Hold in Abeyance

- Reasonable Accommodation
- Beverage Service Ordinance
- Residential Parking Requirements (increase in parking requirement)

Detrimental to Business – but proceed due to Public Safety/State-Federal Requirement

- Fire Safety During Construction – Minor increase in costs and time to projects
- Stormwater Regulations (C3) – required by Regional Water Quality Control Board
- Updates to Structural Standards in California Building Standards Code – required by State Building Standards Commission; minimal cost increase.